

ASSEMBLY BILL

No. 2578

Introduced by Assembly Member Solorio

February 24, 2012

An act to amend Section 69984 of the Education Code, relating to student financial aid, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2578, as introduced, Solorio. Student financial aid: Golden State Scholarshare Trust.

The Golden State Scholarshare Trust Act establishes the Golden State Scholarshare Trust, under the administration of the Scholarshare Investment Board, to provide financial aid for postsecondary education costs of participating students. Under the act, the board segregates moneys received by the Scholarshare Trust into 2 funds, the program fund and the administrative fund. Moneys in the program fund are continuously appropriated to the board for purposes of the act, and moneys in the administrative fund are available upon appropriation for costs of administration of the Scholarshare trust. Existing law requires that, on an annual basis, expenditures from the administrative fund not exceed more than 1% of the total program fund.

This bill would require, commencing on January 1, 2013, that contributions by participants who make their contributions pursuant to a qualified state tuition plan, as provided in a designated section of the Internal Revenue Code of 1986, be matched by an equal amount of state funds. The bill would require these state matching funds to be transferred from the administrative fund to the program fund, and credited to the appropriate account. The bill would exempt these matching funds from the 1% limit on expenditures from the administrative fund. Because the

bill would direct the transfer of funds into the continuously appropriated program fund, it would constitute an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 69984 of the Education Code is amended
2 to read:

3 69984. (a) (1) The board shall segregate moneys received by
4 the Scholarshare trust into two funds, which shall be identified as
5 the program fund and the administrative fund. Notwithstanding
6 Section 13340 of the Government Code, the program fund is hereby
7 continuously appropriated, without regard to fiscal years, to the
8 board for the purposes of this article. Funds in the administrative
9 fund shall be available for expenditure, upon appropriation, for
10 the purposes specified in this article.

11 (2) (A) The board shall separately account for any moneys
12 received by an entity exempt from taxation under Section 501(c)(3)
13 of the Internal Revenue Code or a state or local government agency,
14 depositing the money for the benefit of a beneficiary to be named
15 later pursuant to the operation of a bona fide scholarship program.

16 (B) There is hereby created the Scholarshare Investment Board,
17 that consists of the Treasurer, the Director of Finance, the executive
18 director of the State Board of Education, a member of the Student
19 Aid Commission appointed by the Governor, a member of the
20 public appointed by the Governor, a representative from a
21 California public institution of higher education appointed by the
22 Senate Committee on Rules, and a representative from a California
23 independent college or university or a state-approved college,
24 university, or vocational/technical school appointed by the Speaker
25 of the Assembly. The Treasurer shall serve as chair of the board.
26 The board shall annually prepare and adopt a written statement of
27 investment policy. The board shall consider the statement of
28 investment policy and any changes in the investment policy at a
29 public hearing. The board shall approve the investment
30 management entity or entities consistent with subparagraph (D).

31 (C) Not later than 30 days after the close of each month, the
32 investment manager shall place on file for public inspection during
33 business hours a report with respect to investment performance.

1 The investment manager shall report the following information,
2 to the extent applicable, to the board within 30 days following the
3 end of each month:

4 (i) The type of investment, name of the issuer, date of maturity,
5 par and dollar amount invested in each security, investment, and
6 money within the program fund.

7 (ii) The weighted average maturity of the investments within
8 the program fund.

9 (iii) Any amounts in the program fund that are under the
10 management of an investment manager.

11 (iv) The market value as of the date of the report and the source
12 of this valuation for any security within the program fund.

13 (v) A description of the compliance with the statement of
14 investment policy.

15 (D) Moneys in the program fund may be invested or reinvested
16 by the Treasurer or may be invested in whole or in part under
17 contract with an investment manager, as determined by the board.

18 (b) (1) Transfers may be made from the program fund to the
19 administrative fund for the purpose of paying operating costs
20 associated with administering the Scholarshare trust and as required
21 by this article. ~~On~~ *Except for funds transferred pursuant to*
22 *paragraph (2), on an annual basis, expenditures from the*
23 *administrative fund shall not exceed more than 1 percent of the*
24 *total program fund. All costs of administration of the Scholarshare*
25 *trust shall be paid out of the administrative fund.*

26 (2) *Commencing on January 1, 2013, contributions by*
27 *participants who make their contributions pursuant to a qualified*
28 *state tuition plan, as provided in Section 529 of the Internal*
29 *Revenue Code of 1986, as it is amended from time to time, shall*
30 *be matched by an equal amount of state funds. These matching*
31 *funds shall be transferred from the administrative fund to the*
32 *program fund, and credited to the appropriate account.*

33 (c) All moneys paid by participants in connection with
34 participation agreements shall be deposited as received into the
35 program fund, and shall be promptly invested and accounted for
36 separately. Deposits and interest thereon accumulated on behalf
37 of participants in the program fund of the Scholarshare trust may
38 be used for payments to any institution of higher education.

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